



WATER & SEWER RATES

CITY COUNCIL WORKSHOP

August 28, 2012

CONTINUED PROGRESS

- ▶ March 2010 estimates had high increases
- ▶ Operating reductions, staff reorganizations, and debt changes have changed projections
- ▶ Recommended rate model costs 31.6% less than the initial March 2010 projections

SAVINGS COMPARED TO MARCH 2010 PROJECTIONS

	Water (monthly)	Sewer (monthly)	Monthly Savings	Annual Savings
Residential	\$4.70	\$4.46	\$9.16	\$109.98
Commercial	\$24.36	\$33.74	\$58.10	\$697.25

ADVISORY COMMITTEE FEEDBACK

- ▶ Maintenance projects are a priority
- ▶ Growth projects should sync up with economic recovery
- ▶ Inventory of buildable lots should inform the rate decisions
- ▶ Operations and maintenance reductions can be factored into the rate models

BASE CASE

Projected Revenue Increases

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water	5.0%	7.0%	7.0%	7.0%	5.0%	6.0%	5.0%	4.0%	4.0%	4.0%
Sewer	8.0%	7.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.5%	4.5%
Total	6.2%	7.0%	6.6%	6.2%	5.0%	5.6%	5.0%	4.4%	4.2%	4.2%
COSA	6.2%	7.6%	7.2%	6.9%	5.6%	5.0%	5.0%	4.4%	3.6%	

- ▶ Carries forward the COSA model, including all growth and maintenance projects and no reduction in O&M from current levels

O&M REDUCTION

Projected Revenue Increases

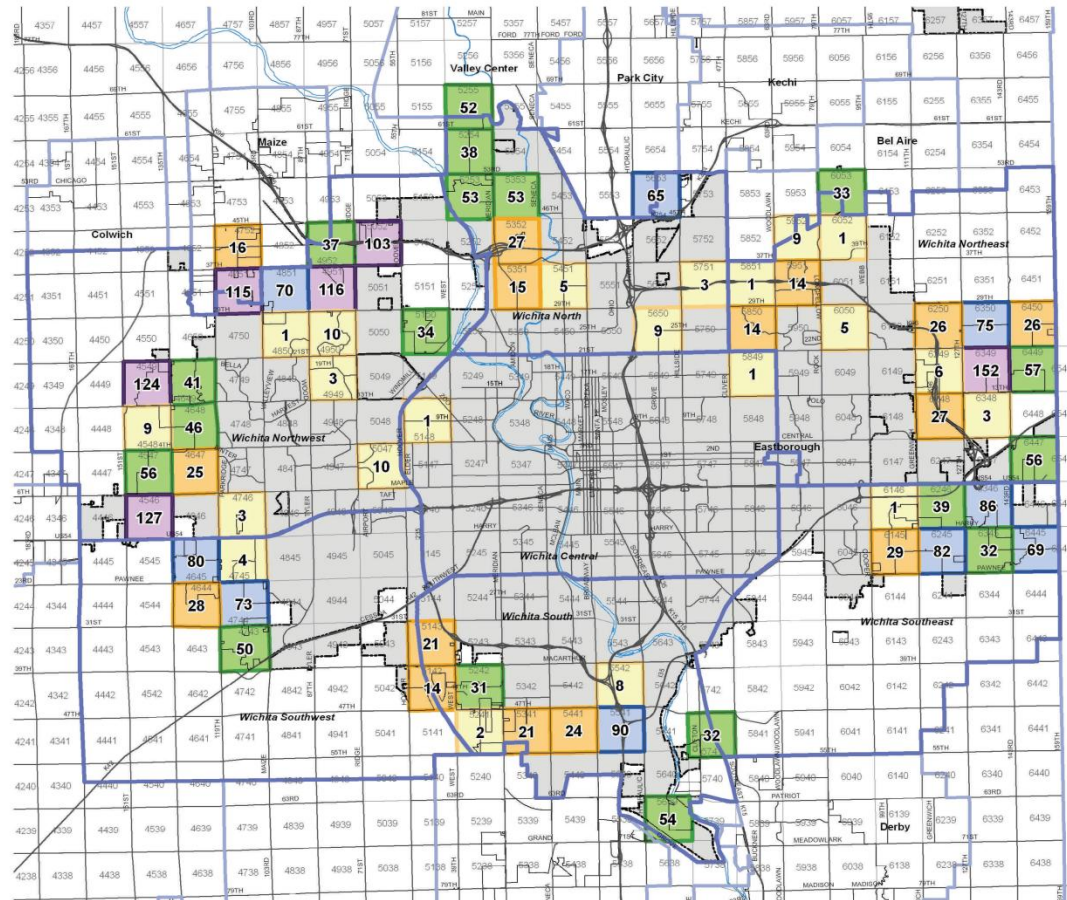
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water	5.0%	6.75%	6.0%	5.0%	5.0%	5.0%	5.0%	4.0%	3.0%	3.0%
Sewer	7.5%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.5%	4.5%
Total	5.9%	6.5%	5.6%	5.6%	5.0%	5.0%	5.0%	4.4%	3.6%	3.6%
Base Case	6.2%	7.0%	6.6%	6.2%	5.0%	5.6%	5.0%	4.4%	4.2%	4.2%

- ▶ Reduces operating and maintenance costs by 1.5% in 2013, with a total reduction of 3.0% by 2014

2011 Vacant Buildable Single-Family Lots in Wichita



2012 Development Trends Summary



10-YEAR DEVELOPMENT DATA

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Permits	1,340	1,401	1,598	1,592	1,396	1,394	910	600	527	325
Lots	2,742	3,262	3,548	3,599	3,118	3,239	3,424	3,026	2,655	2,643
10-Year Average for Issued Permits										1,108
Years of New Construction in Current Inventory										2.38

- ▶ Could still be an 18-month delay if developers want to locate in an area not currently served by buildable lots

DELAYING GROWTH FOR TWO YEARS

Projected Revenue Increases

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water	5.0%	6.0%	6.0%	6.0%	4.5%	4.0%	4.0%	4.0%	3.0%	3.0%
Sewer	7.5%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.5%	4.5%
Total	5.9%	6.0%	5.6%	5.6%	4.7%	4.4%	4.4%	4.4%	3.6%	3.6%
Base Case	6.2%	7.0%	6.6%	6.2%	5.0%	5.6%	5.0%	4.4%	4.2%	4.2%

- ▶ All growth projects would be delayed two years to follow economic recovery

HYBRID SCENARIO

Projected Revenue Increases

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water	5.0%	6.0%	6.0%	5.5%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Sewer	7.0%	5.0%	5.0%	5.0%	5.0%	5.5%	5.0%	5.0%	4.5%	4.5%
Total	5.8%	5.6%	5.6%	5.3%	4.4%	4.0%	3.8%	3.8%	3.6%	3.6%
Base Case	6.2%	7.0%	6.6%	6.2%	5.0%	5.6%	5.0%	4.4%	4.2%	4.2%

- ▶ Combines scenarios with delay in growth projects and the O&M reduction

SCENARIO COMPARISON

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Base Case	6.2%	7.0%	6.6%	6.2%	5.0%	5.6%	5.0%	4.4%	4.2%	4.2%	64.3%
O&M Red.	5.9%	6.5%	5.6%	5.6%	5.0%	5.0%	5.0%	4.4%	3.6%	3.6%	62.2%
Delay Grth.	5.9%	6.0%	5.6%	5.6%	4.7%	4.4%	4.4%	4.4%	3.6%	3.6%	60.2%
Hyb.	5.8%	5.6%	5.6%	5.3%	4.4%	4.0%	3.8%	3.8%	3.6%	3.6%	56.0%
COSA	6.2%	7.6%	7.2%	6.9%	5.6%	5.0%	5.0%	4.4%	3.6%	---	74.4%

FUTURE ISSUES

Backloaded Debt

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water	5.0%	7.0%	7.0%	7.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Sewer	8.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	6.0%	6.0%	6.0%
Total	6.2%	6.2%	6.2%	6.2%	4.4%	4.4%	4.4%	4.7%	4.7%	4.7%

- ▶ Backloaded debt adds 5.6% to the cost of projects over 20-year bond period (\$20.1 million in the Base Case scenario)
- ▶ Not as desirable to credit agencies

FUTURE ISSUES

Re-Used Effluent

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water	5.0%	7.0%	7.0%	8.0%	6.0%	6.0%	5.0%	4.0%	4.0%	4.0%
Sewer	8.0%	7.5%	6.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.5%
Total	6.2%	7.2%	6.8%	6.9%	5.6%	5.6%	5.0%	4.4%	4.4%	4.2%

- ▶ Advantage comes from delaying projects to increase the water supply and capacity
- ▶ Not recommended under this scenario; need to complete water resource study

NEXT STEPS

- ▶ Community input solicited through the fall
 - Staff available for presentations at meetings with DAB, neighborhood associations, etc
- ▶ Council consideration of rates in November
 - Community input can be generated between now and the rate vote